

# **WORLD AFFAIRS**

CURRENT ISSUES

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***CAREER LAUNCHER***

### CRIMEA ISSUE- RUSSIA / UKRAINE

<b>Before 1991</b>	Both Ukraine+ Crimea were part of erstwhile USSR
<b>1<sup>st</sup> December 1991</b>	Ukraine held referendum to declare independence from USSR, also takes away Crimea. This was one of the major reasons for the fall of USSR.
<b>1990-91</b>	US led NATO gave informal guarantee to Soviet, that they would not expand eastwards
<b>91-2012</b>	<ul style="list-style-type: none"> <li>• Russia believed west failed to fulfill their promise.</li> <li>• They are expanding towards central Asia &amp; threatening their sphere of influence.</li> <li>• Ukraine – flashpoint of their relations.</li> </ul>
<b>2012</b>	Ukraine and European Union (EU) sign free trade agreement and political association. Agreements could not be ratified because of political instability
<b>2013</b>	<ul style="list-style-type: none"> <li>• Russia offered \$15 billion and Cheap gas supply to Ukraine (to counter EU influence).</li> <li>• November 2013: New Ukraine President Yanukovich refused to EU FTA deal and favoured Russian deal=&gt; People already angry with economic slowdown, corruption=&gt; protests =&gt; Brutal suppression =&gt; crisis worsen.—<b>Ukraine Revolution.</b></li> <li>• Russians – Protest led by west.</li> </ul>
<b>Feb 2014</b>	<ul style="list-style-type: none"> <li>• More protests. President Yanukovich fled to Russia</li> <li>• New interim government removed Russian as “second official language”.</li> </ul>
	<ul style="list-style-type: none"> <li>• Russian President Putin becomes active to protect the Russian speaking junta in the Crimea. He sends military to the border</li> </ul>

#### Crimea Importance ---- Crimea’s port city Sevastopol - access to Black sea

- If Russia controls Crimea, it can control Black sea:-
  - Russia can ship its products to major economies of the world
  - Russia can fight against invading NATO armies and counter USA.
- 50% Russian Speaking Population, same ethnicity

<b>March 2014</b>	<ul style="list-style-type: none"> <li>• Crimean parliament held junta’s referendum.</li> <li>• 92% Junta votes to join Russia.</li> <li>• Crimean parliament passes resolution to secede from Ukraine to Russia.</li> <li>• Putin passes law to include Crimea in Russia</li> </ul>
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### Post Crimea Referendum:-

Eastern Ukraine – Similar Movements – Russian Speaking Population

↓  
Conducted Referendum - Novo Russia --- Wanted To Join Russia

↓  
Rebels Boycotted Election

↓  
Businessman Petro Poroshenko becomes the new President of Ukraine – Pro West President

↓  
He Sent force to fight rebels ----- West accused rebels are supported by Russia

↓  
Malaysian Airline – Shutdown – Both sides accused each other

↓  
West Depolyed NATO forces

↓  
Ukraine signed Economic cooperation agreement with EU

↓  
Russia Stopped gas supply & asked for pending payment – Ukraine economy depends on Russian gas

↓  
US/EU imposed sanctions on Russia

**Impact of Sanctions:-** G8 suspended Russia. US/ EU wants world powers to boycott Russia, just like Iran. BUT....

1. BRICS nations refused to join US-EU backed sanction against Russia – Started BRICS Bank.
2. Japan also refused to cancel investment plans in Russia
3. India also not going to back any US sanction against Russia.
4. Russia has world's largest energy resources, China as buyer

However Russian economy hurting from sanctions resulting in currency depreciation & slowdown.

## ASEAN & INDIA

- After Second World War, most of these colonies attained independence. But they also had internal dispute regarding territories and borders.
- One such dispute was Indonesia-Malaysia conflict over the Borneo islands.
- This conflict + the then ongoing Vietnam War raised fears of increased external involvement in the newly independent states.
- They feared that south east region would become a theatre of western vs. communist ideologies
- Hence they decided to form a common platform:
- To resolve bilateral issues among themselves
- Present a collective front to the world.
- 1967, five countries signed “Bangkok declaration” to form the Association of Southeast Asian Nations (ASEAN), later another 5 joined. Thus today ASEAN has 10 members

### List of 10 ASEAN nations

- |                                             |             |
|---------------------------------------------|-------------|
| 1. Indonesia (ASEAN HQ is here, in Jakarta) | 6. Brunei   |
| 2. Malaysia                                 | 7. Cambodia |
| 3. Philippines                              | 8. Laos     |
| 4. Singapore                                | 9. Vietnam  |
| 5. Thailand                                 | 10. Myanmar |

## Timeline: Growth of Chinese Arm twisting

ASEAN is becoming a victim of Chinese assertiveness/pseudo-bullying. for example in the the meeting of ASEAN (Dec 2012@ Phnom Penh), no joint communique was issued-for the first time in the 45 years of history of ASEAN Summits. Because...

- Cambodia (host of the summit) is an ally of China
- China did not want the joint communique text to mention South China Sea as a standing conflict.
- but other gang members- Vietnam, Philippines, Malaysia and Brunei wanted the text to contain their respective grievances regarding territorial issues with China.
- In wake of such unprecedented influencing of China into the ASEAN matters, the ASEAN is looking towards India like never before.
- India is being seen as the counter balance to China at the ASEAN platform.

## Timeline of India-ASEAN relations

1990	India starts engaging with ASEAN, part of Look East Policy.
1992	India becomes a sectoral dialogue partner of ASEAN
1996	India becomes full dialogue partner of ASEAN
2002	India starts having annual summits with ASEAN
2003	India accedes to the Treaty of Amity and Cooperation in Southeast Asia (TAC)India signs counter-terrorism declaration with ASEAN.
2009	<ul style="list-style-type: none"> <li>• FTA* in goods signed</li> <li>• This established Free Trade Area established between India-ASEAN.</li> </ul>
2010	<ul style="list-style-type: none"> <li>• FTA in goods becomes effective</li> </ul>
2012	<ul style="list-style-type: none"> <li>• 20<sup>th</sup> Anniversary of ASEAN-India Dialogue.</li> <li>• ASEAN – India Commemorative Summit is held.</li> <li>• Now India becomes a strategic partner of ASEAN</li> <li>• FTA* in services and investment- talks concluded</li> </ul>
2014	FTA in services and investment signed- by all ASEAN nations with India. Except Philippines.

## Why ASEAN important for India?

### Strategically

1. ASEAN nations are at the intersections of major land and sea routes.
2. The Future architecture of Asia is going to be shaped by the US, China and India.
3. Maritime boundary disputes between China and a number of ASEAN countries; claims over South China Sea – hence those ASEAN countries look towards India as a counterbalance against China.
4. For India, a stronger posturing at ASEAN provides its stature as a global power. After all, without becoming a strong regional player first, we cannot dream of becoming global power!

## Energy

1. ASEAN countries, particularly Myanmar, Vietnam and Malaysia can potentially contribute to India's energy security.
2. Oil and natural gas deposits in the South China Sea region.
3. India and several ASEAN countries are net importers of hydrocarbon. They need to develop alternative energy sources. But R&D in renewable = need truckload of ca\$H hence regional cooperation essential for financing those projects.

## Economy

1. In terms of income, India-ASEAN community is roughly the size of the EU
2. In terms of Trade, India-ASEAN community NAFTA.
3. The ASEAN is India's fourth-largest trading partner after the EU, the US and China.
4. India – ASEAN is slated to grow faster than the rest of the world due to a favorable demographic profile and growing market for goods and services.
5. India's trade relations are shifting from West economies towards the East, comprising of Japan, China, Korea and ASEAN.
6. India-ASEAN linkage provides for large-scale movement of people, capital, ideas and creativity.

## For Indian States

1. The coastal states: West Bengal, Orissa, Andhra Pradesh and Tamil Nadu are looking to rebuild maritime links with ASEAN nations to boost their own trade and economy.
2. Union government is also building infrastructure while in the Northeastern states so they can engage in commerce with South East Asian nations.

## Diseases

Pandemics and disease are no longer limited to national boundaries and have assumed a trans-national dimension. SARS and H1N1 virus have in recent times afflicted the region. Hence cooperation is essential between India-ASEAN.

### India-ASEAN FTAs: A Timeline:-

#### Timeline of India ASEAN FTAs

2009	India ASEAN FTA in goods signed.
2010	India-ASEAN FTA in goods became effective.
2012	India ASEAN FTA in services and investment-talks concluded.
2013, December	Indian Cabinet approved FTA in services. (Those ASEAN nations need to get such FTAs approved from their respective parliaments.)

2014, Sep	<ul style="list-style-type: none"> <li>Nine out of ten ASEAN countries have signed FTA in services and investment, with India.</li> <li>Only Philippines remains. Philippines opposed saying it'll harm their domestic service sector given the India's expertise (and cheapness) in the services sector.</li> </ul>
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Trade volume	
Year	Trade /expectation (USD)
2012	75 billion
By 2015	100 billion
By 2022	200 billion

### India - ASEAN FTA in Goods:-

- Signed in 2009, effective from 2012.
- Before this agreement, the India-ASEAN annual trade was ~30 billion but quickly jumped to ~75 billion\$ in 2012.
- Main products: – metal parts and components, electronic components, processed fruits, ceramics, gloves and knittings, fertilizers, chemicals like fatty alcohol, coconut and vegetable oil, refined glycerine.
- But did India benefit from this? Answer is no.
- Cheaper palm oil from ASEAN = hurting local producers in Kerala.
- Our groundnut and pepper farmers also suffering due to cheaper ASEAN imports.
- Hence over all, the goods import from ASEAN nations increased but our exports did not increase. Consequently, trade deficit between India-ASEAN widened.
- Thus India did not benefit much from FTA in goods.
- However, FTA in services may help in reducing trade deficit with ASEAN, because we've comparative advantage over them in education, healthcare, IT-software, Accountancy and consultancy services.

### India ASEAN FTA in services and investment:-

- This Trade agreement in services and investment =follows "8+1+1" pattern.
- Meaning, agreement provides 3 separate arrangements for:

1. For 8 countries	= all ASEAN countries except Indonesia and Philippines
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2. For Indonesia	10. Special terms because services sector is vital for their economies, and they're worried their local service sector will be hurt while competing with India's strong services sector.
3. For Philippines	11. Philippines most worried because ~50% of their workforce in IT sector*

FTA already done	<ol style="list-style-type: none"> <li>1. Singapore (CECA in '05)</li> <li>2. Malaysia (CECA in '11)</li> </ol>
In process	<ol style="list-style-type: none"> <li>1. Indonesia</li> <li>2. Thailand</li> </ol>

Indian investors want to enter ASEAN for	ASEAN investors want to enter India for
<ol style="list-style-type: none"> <li>1. IT</li> <li>2. automobiles</li> <li>3. engineering</li> <li>4. Pharmaceuticals</li> </ol>	<ol style="list-style-type: none"> <li>1. construction services</li> <li>2. Transportation services.</li> <li>3. engineering services</li> <li>4. shipping</li> </ol>

### **Benefits of FTA in services and investment?**

1. Will facilitate the movement of manpower and investment between India and ASEAN.
2. Will help reducing our trade deficit with ASEAN. (Because in the goods sector, we are importing more and exporting less. Service sector will be reverse.)
3. Will boost the trade between India and ASEAN to \$100 billion by 2015.
4. Provides joint review, dispute settlement and other mechanisms to iron out problems.
5. Contains an annex on Movement of Natural persons- Business Visitors, Managers, Executives Specialists and Contractual Service Suppliers. This annex will help provide facilitate movement of Indian service professional in ASEAN countries.
6. This will be a stepping stone in moving towards the regional comprehensive economic partnership (RCEP) pact.
7. RCEP is to be signed between ASEAN and its six — Australia, China, India, Japan, South Korea and New Zealand.



## SAARC

The South Asian Association for Regional Cooperation (SAARC) is an economic and geopolitical organisation of eight countries that are primarily located in South Asia.

The SAARC Secretariat is based in Kathmandu, Nepal

### Members of SAARC

#### 8 Members

1. Afghanistan
2. Bangladesh
3. Bhutan
4. India
5. Maldives
6. Nepal
7. Pakistan
8. Sri Lanka

#### 9 Observers

1. Australia
2. China
3. European Union
4. Iran
5. Japan
6. Mauritius
7. Myanmar
8. South Korea
9. United States

The combined economy of SAARC is 3rd largest in the world in the terms of GDP(PPP) after the United States and China and 8th largest in the terms of nominal GDP.

SAARC nations comprise 3% of the world's area and in contrast having 21% (around 1.7 billion) of the world's total population. India makes up over 70% of the area and population among these eight nations. All non-Indian member states except Afghanistan share borders with India but only two other members, Pakistan and Afghanistan, have a border with each other

The SAARC policies aim to promote welfare economics, collective self-reliance among the countries of South Asia, and to accelerate socio-cultural development in the region. The SAARC has developed external relations by establishing permanent diplomatic relations with the EU, the UN (as an observer), and other multilateral entities. The official meetings of the leaders of each nation are held annually whilst the foreign ministers meet twice annually.

The 18th SAARC Summit was held in Kathmandu from 26-27 November 2014.

### **Political issues**

Lasting peace and prosperity of the Indian subcontinent has been elusive due to the various ongoing conflicts and in the region. Political dialogue is often conducted on the margins of SAARC meetings which have refrained from interfering in the internal matters of its member states.

During the 12th and 13th SAARC summits, extreme emphasis was laid upon greater co-operation between the SAARC members to fight terrorism

### **South Asian Free Trade Area**

SAFTA was envisaged primarily as the first step towards the transition to a South Asian Free Trade Area (SAFTA) leading subsequently towards a Customs Union, Common Market and Economic Union.

In 1995, the Sixteenth session of the Council of Ministers (New Delhi, 18–19 December 1995) agreed on the need to strive for the realisation of SAFTA

The SAFTA Agreement was signed on 6 January 2004 during Twelfth SAARC Summit held in Islamabad, Pakistan. The Agreement entered into force on 1 January 2006, and the Trade Liberalisation Programme commenced from 1 July 2006. Under this agreement, SAARC members will bring their duties down to 20 per cent by 2009.

Following the Agreement coming into force the SAFTA Ministerial Council (SMC) has been established comprising the Commerce Ministers of the Member States In 2012 the SAARC exports increased substantially to US\$ 354.6 billion from US\$ 206.7 billion in 2009. Imports too increased from US\$ 330 billion to US\$ 602 billion over the same period. But the intra-SAARC trade amounts to just a little over 1% of SAARC's GDP. In contrast, in ASEAN (which is actually smaller than SAARC in terms of size of economy) the intra-bloc trade stands at 10% of its GDP.

### **Not Successful:-**

- Intra SAARC trade just 1% of their GDP, ASEAN- 10%
- Political issues amongst countries
- Lack of complementarity among products for trade.
- No border share among others, except for Pak-Afg, Need India for trade
- Lack of willingness.

Now India realizing importance :- **Countering China, Trade, Culture, Terrorism, Global Power Aspiration**

### **SAARC#1: Delhi declaration on Education**

#### **Origin?**

- 2014, Oct: SAARC education ministers' meeting held at Delhi.
- They issued a joint statement called "SAARC Delhi declaration on education"

### Education for all

- Students from disadvantaged groups, cannot finish education or gain vocational skills, due to discrimination and poverty. Therefore, we'll adopt "inclusive education" policy.
- We'll increase budget provisions for above "inclusive education", Gender equitable education and higher education.
- Thus, we'll achieve Education for all / Universalization of education

### But how?

- School dropouts in 15-24 age group, will be given vocational training / distance education.
- Promote Massive Open Online Course, e-learning, ICT tools for learning.
- Mutual recognition of paper degrees, Harmonize of academic standards. So migrant workers can get job easily in another SAARC member-country.
- Each member will share its best education practices and secret coaching class material with others.

### Colleges

- Each SAARC nation will develop an accreditation system. So foreign students can know the bogus colleges before applying.
- Student and faculty exchange programs among SAARC members.
- Linkages between universities, R&D bodies and think tanks.
- (Four years back, we had setup South Asian university in Delhi. Let's promote it institute of excellence.

### **SAARC#2: Energy cooperation & SAME agreement**



### **SAARC Market of Electricity (SAME)**

- $HDI \propto \text{Energy consumption}$
- SAARC Energy grid= transfer electricity to each other
- Possible BCIM+SAARC Grid w/ China
- (↑) ppl-2-ppl & economic ties

## SALIENT FEATURES: SAARC MARKET OF ELECTRICITY (SAME) AGREEMENT

### **SAME agreement**

1. SAARC Market of Electricity (SAME) Agreement.
2. Finalized at New Delhi meeting of SAARC energy ministers. (2014, October)
3. Aims to setup a “SAARC energy grid”
4. This grid will help transferring electricity among SAARC-nations.
5. Focus on 3 pronged strategy:
  - I. Harness both conventional and renewable energy.
  - II. Build inter-connected transmission grids
  - III. Power trade agreements.
6. Will come into force after all members ratify it.

### **Future:-**

**Proposals–** SAFTA to Customs Union, SAARC Bank

**India- Need to be proactive to make SAARC Success.**

- Investments
- Technology – Medical/ Satellite
- HR – Training & education
- Culture

### **INDIA – CHINA**

- With Economic Growth- Increasing assertiveness of china
- Securing trade, Energy/ Raw Material resources, Global Power Aspirations, US focus on Middle east
- South China Sea- ASEAN, S.Korea, Japan
- India- String of Pearls, Karakoram Highway, Maritime Silk Route

### String Of Pearls

- The String of Pearls theory is a geopolitical theory regarding potential Chinese intentions in the Indian Ocean region.
- It refers to the network of Chinese military and commercial facilities and relationships along its sea lines of communication, which extend from the Chinese mainland to Port Sudan.
- Developing ports, providing soft loans, developing strategic relations with countries
- Securing Trade, Encircling India – China denies
- The emergence of the String of Pearls is indicative of China's growing geopolitical influence through concerted efforts to increase access to ports and airfields, expand and modernize military forces, and foster stronger diplomatic relationships with trading partners



### Maritime Silk Route

- Connect 12 inland Chinese regions with 14 neighboring countries. (revive ancient silk road)
- Get new export markets
- Secure lanes to import raw material.
- Counter the influence of USA/Japan
- Defusing tension with ASEAN nations
- Regional development – China – to reduce regional disparity
- China Offered India to be part of it

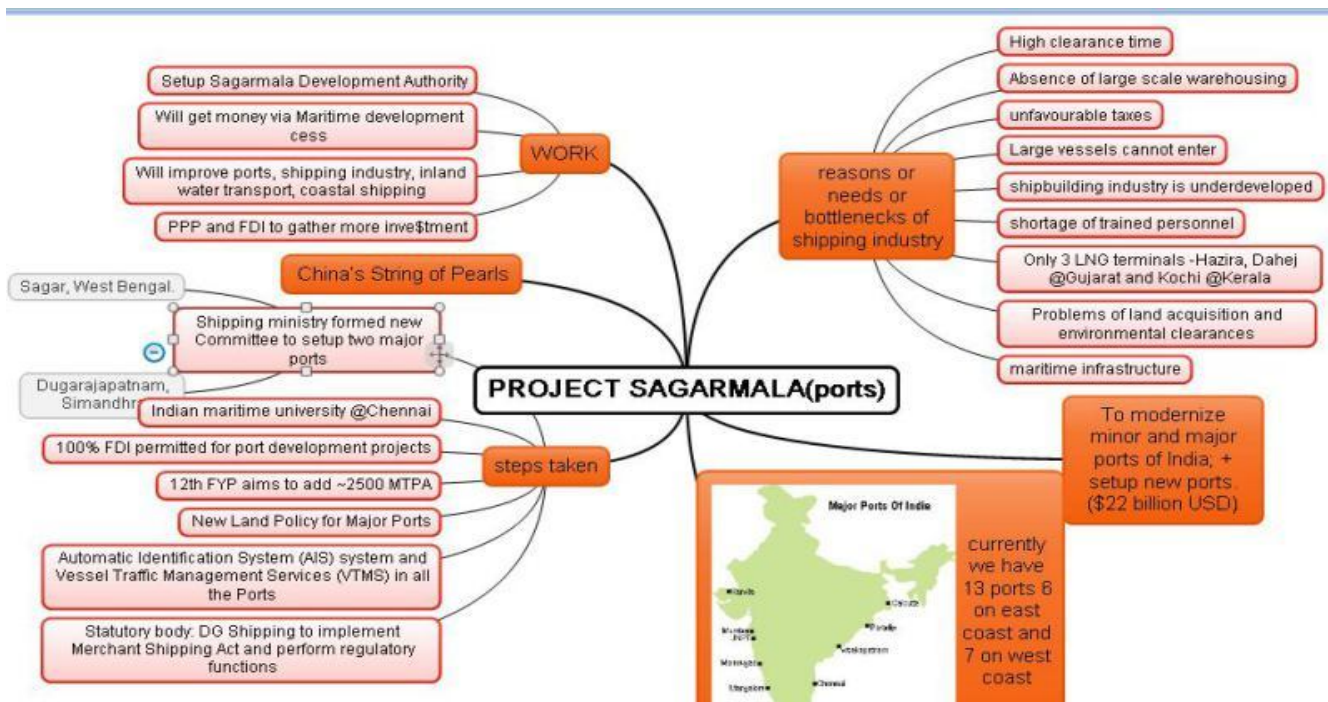
### Karakoram Highway

- Part of Land Silk route

- Linking Gwadar Port to China
- Access to Port, West Asia, Central Asia
- Energy imports, goods export
- Threat to India- Very close to Kashmir



### India Response to China – Project Mausam, Sagarmala Project



### Sagarmala Project

- Port Modernization on large scale – improving port infra.
- Setting new ports
- Linked through electricity grid, Gas grid, optical fibre etc
- Port Development – Port led development
- Earning revenue by providing services to foreign ships
- Facilities & services to neighbors
- Countering Maritime Silk Route

### **Project Mausam**

- India is using its history, culture and geography to compete with China's "Maritime Silk Road."
- India to reestablish its ties with its ancient trade partners and re-establish an **"Indian Ocean world"** along the littoral of the Indian Ocean.
- This world would stretch from east Africa, along the Arabian Peninsula, past southern Iran to the major countries of South Asia and thence to Sri Lanka and Southeast Asia.
- Developing cultural linkages

### **Other Initiatives**

- Building relationships - President Visit, AIIB, BRICS Bank, Solving Border issues
- Both India & China Need each other for their development .



- Breakaway faction of Al-Qaida – separated in 2004 & joined local sunnis in Iraq
- Now Spread to South Asia, North Africa, Middle East

#### **Reasons for its rise:-**

- Withdrawal of US army from Iraq in 2009, Iraq army weak to control them
- Civil War in Iraq & Syria
- After death of Osama many Al -Qaiada fighters joined ISIS
- Initially supported by Gulf countries to contain Shia groups in Iran & Syria
- Now funding through Selling oil, Ransom, etc

#### **Goals:-**

- goal of the group has been the foundation of an Islamic state - includes parts of Syria, Israel, Jordan, Lebanon, Egypt, south Turkey, and the Palestinian territories.
- led by a group of religious authorities under a supreme leader—caliph—who is believed to be the successor to Muhammad
- Follows an extreme interpretation of Islam, promotes religious violence, and regards those who do not agree with its interpretations as infidels
- Threat to world, specially neighboring countries having Shia population

#### **Threat to India**

- *ISIS has global ambitions which include carving out an Islamic World Dominion.*
- In its recently released world map of the planned dominion areas, ISIS also marks out parts of north-west India. The outfit plan to include many north-western provinces of our country including parts of Gujarat in the planned Islamic caliphate of Khorasan that ISIS aims to achieve

#### **Tackling ISIS**

- International Conference held in Paris to fight ISIS
- 30 Countries participated including Gulf Countries
- Launching attacks on ISIS & targeting their financing network



**BOKO HARAM – Nigeria – Western Education is Sin**

- Nigeria- Most Populated & largest oil producer of Africa
- North Part- Muslim dominated , South Part – Christian dominated
- South part- oil rich region
- Boko Haram want independence of Northern Muslim majority region & want strict shariat laws to be implemented there.
- Attack Christians, churches, schools giving western education in north Nigeria

## Middle East/ West Asia/ Arab World

### West Asia



- westernmost sub region of Asia.
- 20 countries

### Middle East

- Western Asia exclusion Georgia, Armenia, Azerbaijan,
- and after including Egypt.
- 18 countries



## Arab World

- regional organization of Arab countries in and around North Africa, the Horn of Africa, and Southwest Asia - **Arabic Language , ethnicity**
- 21 Members ( earlier 22 , Syria suspended).



## Gulf Countries

- seven Arab states which border the Persian Gulf.
- Significant Oil reserves

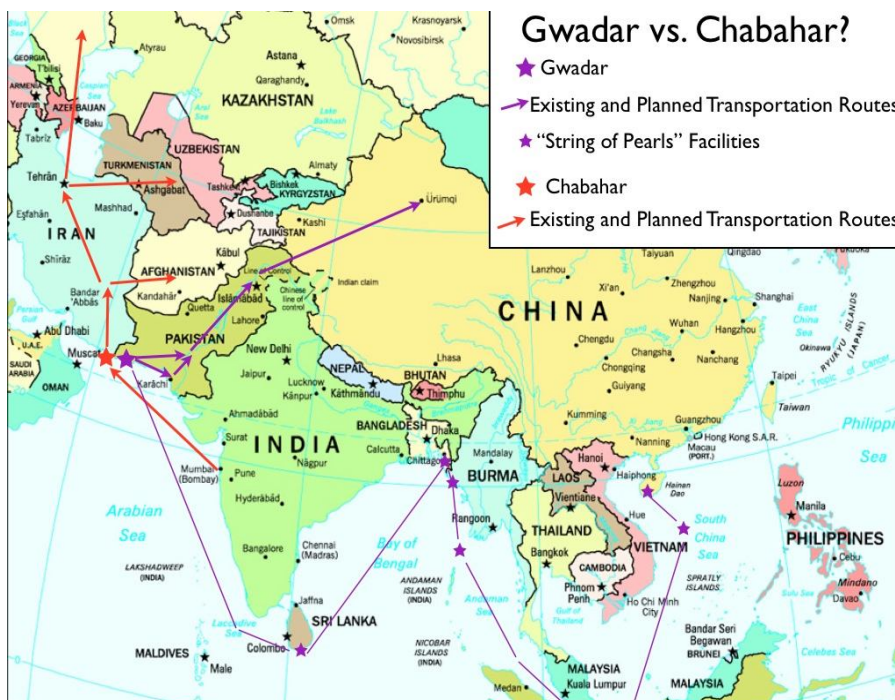


## Middle East- Importance for India

- Dependence for Energy – oil , Gas – Must for India's economic growth
- Large Numbers of Indian workers in these countries – for their safety, good treatment - Max remittances from here.
- Cultural linkage– large Muslim population -.
- Large market for Indian Products – Make In India.
- Important Sea routes- Suez canal, etc

## Importance of Iran for India

- Oil imports
- India Has 2<sup>nd</sup> largest shia muslim population.
- Route to Central Asia Market.
- Gas Pipeline
- Market for Indian Products



## Shia – Sunni Conflict

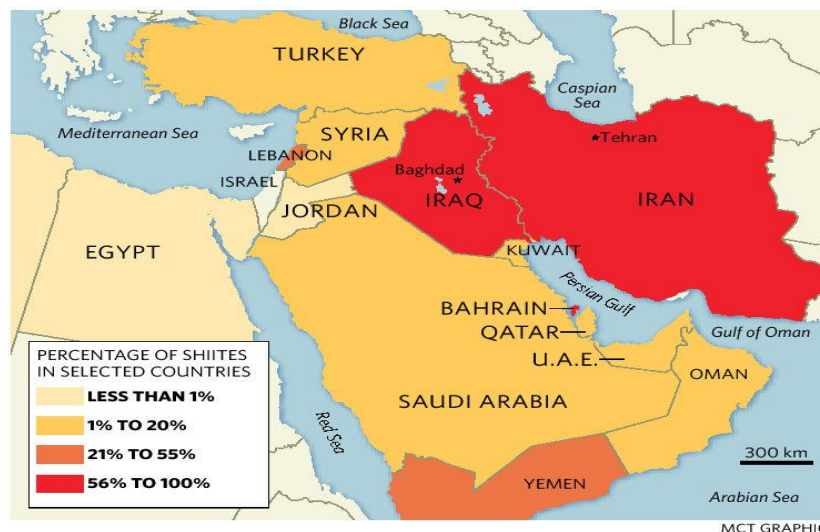
- Sunni and Shia Islam are the two major denominations of Islam
- 85–90% of the world's Muslims are Sunni and 15% are Shia.
- Difference exists in beliefs, religious practice, traditions, and customs – sectarian violence
- Shia Majority in– Iran, Iraq, Bahrain , in other places in Minority
- Indian Shia Muslim Population is 2<sup>nd</sup> largest after Iran

## Muslims in the Mideast

Less than 15 per cent of the world's Muslims are Shiite, or Shia; most Muslims are Sunni.

	PER CENT OF POPULATION	
	SHIA MUSLIM	SUNNI MUSLIM
Bahrain	70%	30%
Egypt	–	90%
Iran	90%	9%
Iraq	63%	34%
Jordan	2%	92%
Lebanon	36%	22%
Qatar	14%	86%
Saudi Arabia	5%	95%
Syria	13%	74%
Turkey	15%	85%

SOURCE: Pew Forum on Religion and Public Life; CIA World Factbook; Adherents.com

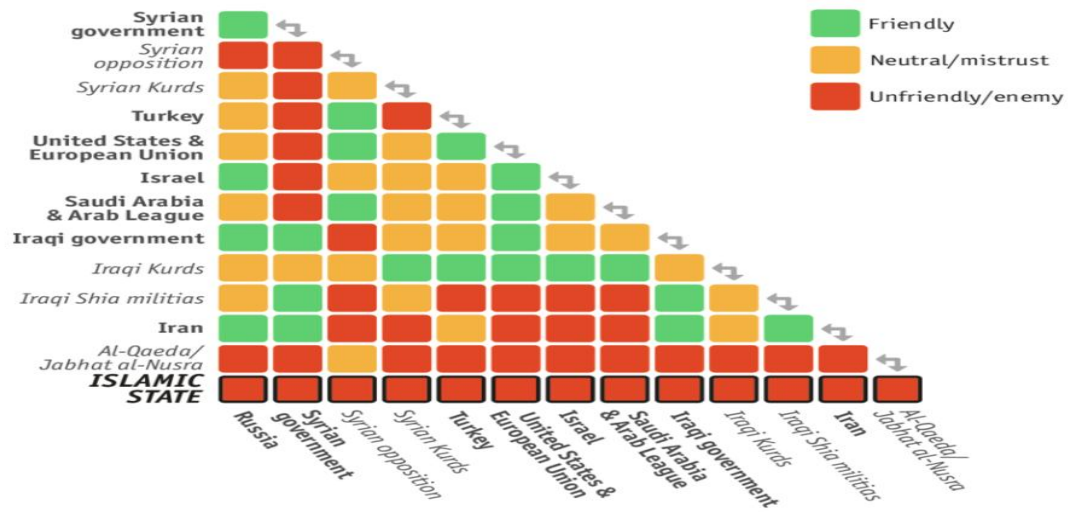


## Syria

- Bashar al-Assad's father ruled Syria for nearly 30 years and died in 2000.
- From 2000 to this date, Bashar Al Assad is the President of Syria.
- Al-Assad family is Shia Muslim.
- But nearly 75% of Syria's population is Sunni Muslims.
- In January 2011, revolution in Tunisia marked the start of the so-called Arab Spring.
- Demonstrators soon called for al-Assad to leave office
- Syrian regime sent thousands of troops crackdown.

## The messy political mosaic

Relations between:



Source: *The Economist*

[Economist.com/graphicdetail](http://Economist.com/graphicdetail)

## Israel and Palestine

- Under that resolution, UN General Assembly had said that Gaza strip, West bank will be given to Arab State.
- In 1967 Arab Israel war Israel captured – Gaza Strip, West Bank given to Arab State.
- Israel started blockade of Gaza strip.
- Hamas and PLO = both started as militant movement for Palestinian Arabs
- But PLO has (almost) ceased violence
- while Hamas continues to remain armed and dangerous
- Israel and PLO will formally recognize each other,
- UNESCO recognized Palestine, 13 countries recognise
- Increasing support for Palestine - Europe
- April 2014 – Hamas & Fatah signed – unity govt
- June 2014 – West accepted Govt.
- Israel upset- attacked Hamas Gaza on the pretext that Hamas killed Israeli settlers in Gaza.
- Peace Deal Signed – Egypt Intermediated
- India's position *"both sides should exercise restrained and settle the matter via peaceful talks and negotiations."*



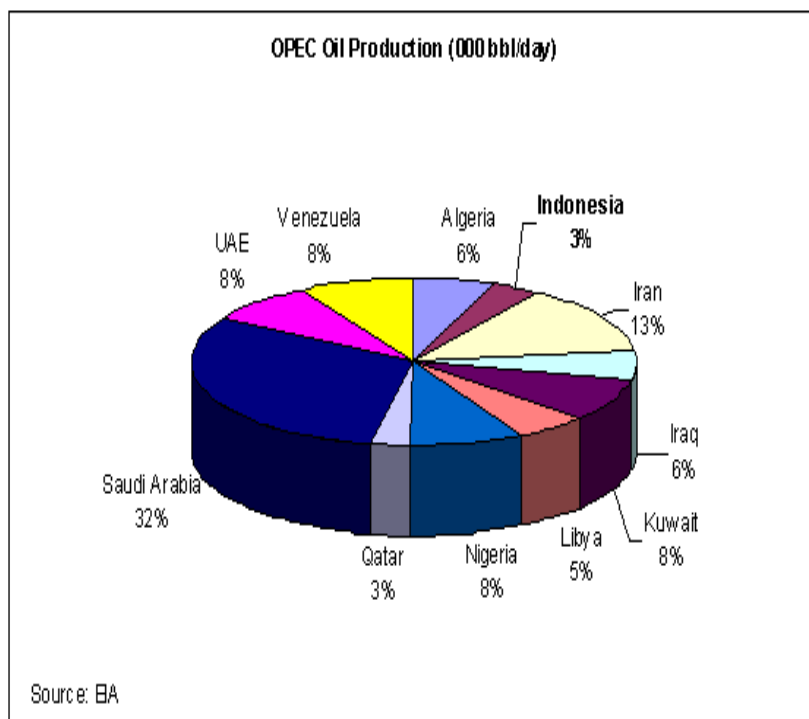
## Oil Diplomacy

- Oil & gas key for industrial & economic development.
- India want Good relation with Gulf countries- dependence on oil.
- Iran Trade embargo by US & West – action against Nuclear programme- hurt Iran economy
- Resurgence of Russia – new Oil region
- Contest for Arctic - huge oil/ gas reserves

Country	Production	Consumption	Delta
1. Saudi Arabia	11.5	3.1	8.4
2. Russian Federation	10.8	3.3	7.5
3. US	10.0	18.9	-8.9
4. China	4.2	10.8	-6.6
5. Canada	3.9	2.4	1.5
6. United Arab Emirates	3.6	0.8	2.8
7. Iran	3.6	2.0	1.6
8. Iraq	3.1	0.7	2.4
9. Kuwait	3.1	0.5	2.6
10. Mexico	2.9	2.0	0.9

Data from BP Statistical Review 2014

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### **Oil Diplomacy- Why Crude prices falling**

- Fallen to < \$ 50/ barrel
- Shale Gas Discovery -America has become the world's largest oil producer. Though it does not export crude oil, it now imports much less.
- Overall slowdown – less demand. Chinese demand almost stagnant
- Iran has lot of reserves – earlier not sold because of oil embargo by US/west
- The Saudis and their Gulf allies have decided not to sacrifice their own market share to restore the price. They could curb production sharply, but the main benefits would go to countries they detest such as Iran and Russia.
- Saudi wants low prices to make further investment in Shale uneconomical.
- To hurt Russian economy – New Cold War

### **Benefits for India**

- Help in reducing CAD, fiscal deficit, save forex, reduce inflation.
- Govt initiated deregulation of petrol – reduce subsidy thus fiscal deficit

### **Too much fall can hurt India-**

- It will effect gulf economies- remittances will decrease.
- Export to these decrease – exports have multiplier effect on economy.